



2004 Annual Report of the Environmental Finance Center Network

Region 4 – EFC at University of North Carolina at Chapel Hill

The University of North Carolina was established in 1998 and is one of two EFCs in Region 4. The EFC serves the states of Kentucky, Tennessee, Mississippi, Alabama, Florida, Georgia, South Carolina, and North Carolina.

INTRODUCTION

The Environmental Finance Center at the University of North Carolina at Chapel Hill (UNC EFC) works with local communities and government agencies throughout EPA's Region IV to address environmental management challenges by developing innovative financial management and environmental policy strategies and systems. The UNC EFC assists communities by *“providing a bridge between students and faculty in the university who work principally on environmental financing, management and planning tools, and the governments and businesses whose job it is to use those tools for the public interest.”*

The UNC Environmental Finance Center is one of a group of university-based centers that concentrate on problems in the financing of environmental services. The U.S. Environmental Protection Agency originally established the centers in order to bring the work of researchers in the universities directly to bear on local environmental

problems. For more information on the Environmental Finance Center network, see: www.epa.gov/efin.

The efc@unc was begun in 1998 as a joint venture between the Institute of Government and the Office of Economic Development, both at UNC-Chapel Hill. Faculty and students working with the [UNC](http://www.unc.edu/efc) EFC concentrate on helping improve the financing and delivery of environmental goods and services by local governments.

The UNC EFC receives its core support from the United States Environmental Protection Agency and the University of North Carolina at Chapel Hill.

ACCOMPLISHMENTS

Training

The UNC EFC primarily reaches local communities through the delivery of interactive applied training programs and technical assistance. The UNC EFC sees one of its major roles as increasing the capacity of other organizations to address the financial aspects of environmental protection. For this reason and to support the leveraging of resources, the UNC EFC does most of its training in a collaborative manner – partnering with established organizations that have environmental, but not necessarily financial expertise.

Major training activities carried out in 2004 are listed below:

UNC School of Government Courses

Every year, the UNC School of Government (the largest local government training program in North Carolina) provides a variety of financial management and accounting trainings to hundreds of local government finance and budgeting professionals. The UNC EFC has been asked to help integrate environmental management concepts into these courses. The UNC EFC has developed presentations on using municipal budgets effectively to encourage and monitor environmental management. Other trainings include capital planning, budgeting and capital budgeting with a water and wastewater capital overview.

Statewide Training Program for Municipal Officials

The UNC EFC participated in a statewide training program sponsored by the NC League of Municipalities and the UNC School of Government to provide basic

governance training to elected officials throughout the state. The UNC EFC is responsible for designing and delivering environmental finance sessions that will be delivered to over 700 local officials at eight locations throughout the state.

Community Development Academy

The UNC EFC delivered a presentation on water management issues to a group of community development professionals as part of the 2004 Community Development Academy. The Academy is held each year to educate local government planners and community organizations.

Municipal/County Administration Course: Environmental Issues in Local government

The UNC EFC presented classes on local roles in environmental protection to local government professionals throughout North Carolina.

Water and Wastewater Capital Finance Course

The UNC EFC worked with the UNC School of Government to develop and co-sponsor a comprehensive two-day course on capital finance for local government utility, management, and finance officials. The course has become a regular offering of the School of Government, and attracts one of the most diverse groups of participants at the School, with equal representation of professionals from technical and financial fields. The course focuses equal attention on sources of capital finance and planning techniques.

EPA Region 4 Tribal Work Session

UNC EFC participated in an annual work session for Region 4 tribal environmental managers. After making a presentation about different financial management tools and strategies available to communities, the UNC EFC met with several tribes in the process of developing water systems.

Source Water Protection Workshops

The UNC EFC co-sponsored and presented at two workshops designed to provide information on source water protection to environmental advocates. The UNC EFC gave two presentations on source water protection and one presentation on financial planning tips for source water advocates.

Annual NC American Public Works Association Management Conference

UNC EFC delivered two of the conference's six technical sessions on different aspects of utility finance and management including a presentation on "Financial Management Issues for Public Works Managers" and "Strategies for Addressing Revenue Shock due to Customer Changes."

On-site Wastewater Systems Financing Forum

As much as 50% of North Carolina's population depends on these systems, yet the state has few institutional arrangements to enable local governments to manage and finance these systems. The UNC EFC facilitated an On-site Financing Forum to discuss financing options for on-site wastewater systems with funders, local governments and regional council of government representatives.

Disadvantaged Community Planning Work Session

The UNC EFC facilitated a work session on establishing a disadvantaged State Revolving Fund program in NC with participants from NC DENR, local community groups, and other interested community professionals. The group outlined steps for establishing a disadvantaged communities program in NC and discussed the related issues involved with starting such a program.

University of North Carolina's Kenan Flagler Business School - Water and Wastewater Executive Education

Leadership has become a topic of great interest nationally for public water and wastewater utility managers. The UNC EFC presented financial management sessions for utility managers from across the country at the Kenan-Flagler Business School's executive education program designed for public utility leaders.

Direct Technical Assistance

The UNC EFC devoted a significant amount of resources in 2004 to providing direct support to practitioners throughout the Southeast. This technical assistance included email and phone consultations; management of listservs; site visits; and the publication of guides and updates on key issues. The table below shows a few examples of technical assistance activities carried out in 2004.

Community	Description
Town of Shallotte	Advice on the use of assessments and impact fees.
City of Washington	Advice on how to implement new impact fees and how to address new apartment customers.
Oak Island	Water and wastewater capital planning work session attended by municipal council and representatives from Caswell Beach and Southeast Brunswick Sanitary District. Major issues included system development charges and partnership possibilities.
Polk County	Assistance on legal and financial implications of different solid waste financing options.
N. Charleston, S.C.	Discussions about the local government side of smart growth and tax increment financing with the N. Charleston Mayor and Economic Development Director. Advice on stormwater management options.
Anson County	Met with representatives from a number of communities to discuss merger possibilities
Gaston County	Advice on future development
NC DENR Division of Soil and Water Conservation, Forestry, Clean Water Management Trust Fund staff	Presentation of CREP permanent easement model and discussion of alternative method of paying for permanent easements and 30 year contracts on agricultural lands
Durham/Creedmoor	Advice on water purchasing
Wake County	Assistance to County in evaluating new school recycling programs. EFC facilitated focus group meeting
Town of Pittsboro	Met with Town Manager to review budget, finance report, and current water rate structure. Recommended the establishment of a capital reserve fund and a reclassification of impact fees. Discussed strategies for rate increases and modifications to rate structures.
Aberdeen, Midway community	Attended a community meeting with the UNC Civil Rights Center, Midway community members, Aberdeen Mayor, and Town Council members. Community discussion of zoning issues, annexation and sewer line issues.
Maggie Valley, NC	Advice on inside and outside rates.
NC Rural Center	Member of "Water 2030" technical advisory committee.

Other Direct Technical Assistance:

Financial Management Guide and Board Trainings

The UNC EFC was awarded funding from the Southeast Regional Small Public Water Systems Technical Assistance Center (SETAC) to provide financial planning assistance to small water utilities. As part of this project, the UNC EFC developed a

detailed water utility financial management guide that targets the individuals that sit on governing boards responsible for drinking water service. The guide focuses on the legal and financial obligations and expectations assigned to these boards under U.S. and North Carolina law (many financial management and rate setting responsibilities are based on state law). This guide serves as the basis for a statewide board training program that started in 2004.

Policy Analysis and Support

In addition to direct community outreach, the UNC EFC works with decision makers to assess the effectiveness of environmental finance policies at a regional or state level, and to improve those policies as a way of supporting local efforts.

Major policy efforts in 2004 included:

Assessing Drinking Water and Wastewater Infrastructure Funding in Appalachia

The UNC EFC was awarded a competitive contract to carry out a drinking water and sewer infrastructure needs assessment for the Appalachian Regional Commission (ARC). The project began in the fall of 2003 and continued through 2004. The project includes developing quantitative estimates of water and sewer needs in the 13 state/410 County ARC region; preparing a detailed and quantitative catalog of public financial water and sewer assistance in the region; identifying and analyzing financial management and infrastructure financing strategies within the region, especially strategies likely to have an impact in distressed communities; and developing financial management case studies. The project looks at strategies implemented at the local level as well as statewide strategies implemented by funding agencies and state/regional agencies.

As part of the ARC project, in 2004 the UNC EFC traveled throughout the Appalachian Region to gather information for case studies. Communities were visited in West Virginia, Kentucky, Mississippi, Alabama, South Carolina, Georgia, North Carolina and Tennessee.

Dissemination of Results of Appalachia Drinking Water and Wastewater Needs Assessment

The UNC EFC has presented the preliminary findings from the ARC Study to practitioners at all levels of government. When the report is finished, the UNC EFC

will meet with officials throughout Region IV to discuss how the results of the study can be used to improve infrastructure funding programs.

Models for Funding On-site Wastewater Systems

The UNC EFC prepared an inventory of different local approaches used throughout North Carolina to fund the repair and replacement of failing septic systems. Several case studies were prepared describing financing systems in different communities.

Options for Addressing Agricultural Waste Disposal Challenges

The UNC EFC participated on the advisory panel for review of alternative swine waste management systems under the Smithfield Foods-Premium Standard Farms Agreement with the N.C. Attorney General. A primary outcome of this effort is judging economic feasibility of various alternative waste technologies.

Conservation Reserve Enhancement Program (CREP)

The UNC EFC met with NC environmental advocacy groups to explain the CREP financing model in order to help advocates understand current decisions on land conservation.

Infrastructure Finance Working Group

The UNC EFC presented on funding options for NC state infrastructure programs and on what other states do.

NC Disadvantaged Community Program

The UNC EFC met with the State NC State Revolving Fund Coordinator to present information on disadvantaged community programs in other states in an effort to encourage the state to establish a disadvantaged community program. UNC EFC prepared an inventory of other state programs and a cash flow model.

Storm Water Ordinance

With funding from the section 319 program, the UNC EFC is developing a statewide model stormwater ordinance (for Phase II post-construction stormwater control and other purposes).

EFC COLLABORATIVE ACTIVITIES SUMMARY

Appalachia Drinking Water and Wastewater Needs Assessment

The UNC EFC was the lead on this three center project (UNC EFC, University of MD EFC, Syracuse University EFC) covering 4 EPA regions.

Asset Management

The UNC EFC and the Maine EFC have been developing asset management outreach programs together.

Smart Growth

The UNC EFC and the Maine EFC visited Noisette, a model Smart Growth community in North Charleston, SC.

EFAB Affordability Work Group

The UNC EFC serves on the Environmental Finance Advisory Board's (EFAB) Affordability Work Group. The UNC EFC works with EFAB members and several other EFCs to provide advice and guidance on water affordability programs to local utilities and state and federal regulatory agencies.

EFAB Joint-Operations Work Group

The UNC EFC also serves on an EFAB group charged with investigating potential options for jointly managing and operating state administered revolving loan programs.

INITIATIVES FOR 2005

Some activities currently planned for 2005 include:

Infrastructure coordination project

This study for the NC Rural Center will support sustainable infrastructure development in NC by providing research support to the diverse group of NC organizations currently involved in water infrastructure development. Research support will focus on the identification and analysis of institutional models and

methods currently being used throughout the country to promote efficient community infrastructure funding and advocacy.

Multi-level Financial Analysis of Residential Water and Wastewater Rates and Rate Setting Practices in North Carolina (WRRl study)

NC utilities use many different rate strategies and practices under an economic regulatory framework that has few rate setting standards. This study will examine rates and rate setting in the context of the impact they have on utility financial health, customer financial capacity, and resource use.

Water Leadership Program Board Trainings

The UNC EFC has designed board trainings to provide financial planning assistance to small water utilities in NC with funds from the Southeast Regional Small Public Water Systems Technical Assistance Center (SETAC). Board trainings have been completed for the Gibson and Wagram communities and the Handy Sanitary District. Several more trainings across the state are scheduled for 2005.

Stormwater Management Course

The UNC EFC will design a new course on the management and funding of local government stormwater programs.

Regional Water and Sewer Provision

The UNC EFC will work with regional water and sewer utilities to strengthen their ability to provide regional services. The UNC EFC will organize retreats and carry out an organization development study on one of the largest regional providers in the state.

Brownfields Characterization Study

The UNC EFC will prepare a comprehensive report to the NC DENR that characterizes North Carolina's brownfields.

Out-of-state water conferences

The UNC EFC will participate in a water resources workshop in Georgia as well as at a major water resources conference in Florida

Mississippi Meetings

The UNC EFC will organize a series of activities and meetings with various water agencies in Mississippi to discuss the findings of the ARC study and discuss programs in both states.

PRESENTATIONS, CONFERENCES AND MEETINGS

In addition to the events mentioned above, the UNC EFC actively participated in a number of presentation and conferences throughout the year.

- Urban Water Consortium - Presentation on water rates and fees analysis
- 2004 NC Water Resources Research Institute (WRRI) Annual Conference, "Watershed Assessment and Restoration: Lessons Learned and Future Directions"
- 2004 Council of Infrastructure Financing Authorities (CIFA) SRF Conference - Presentation on water and wastewater needs surveys and the ARC project
- N.C. Winter Budget Association Conference - Participation in a panel on skills needed for enterprise analysts
- American Water Works Association National Source Water Protection Conference – Palm Beach, FL
- NC Smart Growth Alliance Conference – New Bern, NC – 2 day summit on growing economies with community design.
- Environmental Finance Center Network/Environmental Advisory Board Meetings
- Municipal and County Administration - Environmental presentation to group of municipal and county administrators.
- Council of Infrastructure Funding Authorities (CIFA) Annual Conference
- Appalachian Studies Association - poster session and discussion on ARC project
- NC Watershed Roundtable – Raleigh, NC - Roundtable on growth and water resource issues. UNC EFC served on a panel and discussed "How to Pay" challenges linked to growth

- Urban Water Consortium – Chapel Hill, NC - Presentation on water rates and fees analysis
- Stormwater Forum (Engineers) – stakeholder forum
- N.C. Winter Budget Association Conference, Pinehurst, NC - Participation in a panel on skills needed for enterprise analysts
- Western NC Stormwater Working Group, Asheville, NC
- American Water Works Association Conference on Infrastructure

CONTACT INFORMATION

For more information, see: www.efc.unc.edu

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